

AMENDED IN SENATE APRIL 29, 1996

AMENDED IN ASSEMBLY MAY 8, 1995

CALIFORNIA LEGISLATURE—1995–96 REGULAR SESSION

ASSEMBLY BILL

No. 1286

Introduced by Assembly Member Takasugi

February 23, 1995

~~An act to add Section 401.7 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy. An act to add Section 401.12 to, and to add and repeal Sections 401.10 and 401.11 of, the Revenue and Taxation Code, relating to taxation, and declaring the urgency thereof, to take effect immediately.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 1286, as amended, Takasugi. Property taxation: ~~pipelines~~ *intercounty pipeline rights-of-way*: assessment.

Existing property tax law requires the county assessor to assess all property that is subject to taxation at its full value.

This bill would ~~require each county assessor, in valuing properties incident to intercounty pipelines, to consider the cost, income, and market approaches to value~~ *establish a rebuttable presumption in favor of a full cash value assessment for an intercounty pipeline right-of-way for any of the 1984–85 to 2000–01 tax years, inclusive, provided that certain specified valuation standards are met in determining that assessed value. The bill would also provide that the determined values shall be rebuttably presumed to be correct*

if these specific methodologies are used and would bar any right of the taxpayer to challenge these valuations.

This bill would also provide, for those same tax years, that escape assessments may be made and that refunds shall be made on the basis of these specified valuation standards. The bill would also provide that the provisions of the bill are superseded by any settlement agreement entered into prior to the effective date of these provisions between a taxpayer and a county with respect to the assessment of any intercounty pipeline right-of-way.

This bill would make legislative findings and declarations with respect to the local assessment of ~~pipeline-related properties~~ intercounty pipeline rights-of-way, and would state the intent of the Legislature in ~~this regard~~ enacting these provisions.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 ~~SECTION 1. The Legislature hereby finds and~~

2 *SECTION 1. The Legislature finds and declares the*
3 *following:*

4 (a) *As a result of recent court decisions, one of the*
5 *most difficult and contentious property tax assessment*
6 *issues of recent years has been the proper assessment of*
7 *intercounty pipeline rights-of-way.*

8 (b) *During a difficult period of legal and*
9 *administrative transition, in order to avoid protracted*
10 *litigation, provide necessary guidance to local taxing*
11 *authorities, and to assure taxpayers of consistent and fair*
12 *treatment, it is essential to state and clarify appropriate*
13 *standards for the assessment of intercounty pipeline*
14 *rights-of-way.*

15 (c) *It is the intent of the Legislature in enacting*
16 *Sections 2 to 4, inclusive, of this act, to provide statutory*
17 *clarification to ensure that proper and consistent*
18 *assessment practices are followed in determining values*

1 for intercounty pipeline rights-of-way in accordance with
2 those specific valuation standards that reflect the
3 constitutionally required assessment of intercounty
4 pipeline rights-of-way at their full value.

5 SEC. 2. Section 401.10 is added to the Revenue and
6 Taxation Code, to read:

7 401.10. (a) Notwithstanding any other provision of
8 law relating to the determination of the values upon
9 which property taxes are based, values for each tax year
10 from the 1984–85 tax year to the 2000–01 tax year,
11 inclusive, for intercounty pipeline rights-of-way on
12 publicly or privately owned property, including those
13 rights-of-way that are the subject of a change in
14 ownership, new construction, or any other reappraisable
15 event during the period March 1, 1975, to June 30, 2001,
16 inclusive, shall be rebuttably presumed to be at full cash
17 value for that year, if all of the following conditions are
18 met:

19 (1) (A) The full cash value is determined to equal a
20 1975–76 base year value, annually adjusted for inflation in
21 accordance with subdivision (b) of Section 2 of Article
22 XIII A of the California Constitution, and the 1975–76
23 base year value was determined in accordance with the
24 following schedule:

25 (i) Twenty thousand dollars (\$20,000) per mile for a
26 high density property.

27 (ii) Twelve thousand dollars (\$12,000) per mile for a
28 transitional density property.

29 (iii) Nine thousand dollars (\$9,000) per mile for a low
30 density property.

31 (B) For purposes of this section, the density
32 classifications described in subparagraph (A) are defined
33 as follows:

34 (i) “High density” means Category 1 (densely urban)
35 as established by the State Board of Equalization.

36 (ii) “Transitional density” means Category 2 (urban)
37 as established by the State Board of Equalization.

38 (iii) “Low density” means Category 3
39 (valley-agricultural), Category 4 (grazing), and

1 Category 5 (mountain and desert) as established by the
2 State Board of Equalization.

3 (2) The full cash value is determined utilizing the
4 same property density classifications that were assigned
5 to the property by the State Board of Equalization for the
6 1984–85 tax year or, if density classifications were not so
7 assigned to the property for the 1984–85 tax year, the
8 density classifications that were first assigned to the
9 property by the board for a subsequent tax year.

10 (3) (A) If a taxpayer owns multiple pipelines in the
11 same right-of-way, an additional 50 percent of the value
12 attributed to the right-of-way for the presence of the first
13 pipeline, as determined under paragraphs (1) and (2),
14 shall be added for the presence of each additional
15 pipeline up to a maximum of two additional pipelines. For
16 any particular taxpayer, the total valuation for a multiple
17 pipeline right-of-way shall not exceed 200 percent of the
18 value determined for the right-of-way of the first pipeline
19 in the right-of-way in accordance with paragraphs (1)
20 and (2).

21 (B) If the State Board of Equalization has determined
22 that an intercounty pipeline, located within a multiple
23 pipeline right-of-way previously valued in accordance
24 with subparagraph (A), has been abandoned as a result
25 of physical removal or blockage, the assessed value of the
26 right-of-way attributable to the last pipeline enrolled in
27 accordance with subparagraph (A) shall be reduced by
28 not less than 75 percent of that increase in assessed value
29 that resulted from the application of subparagraph (A).

30 (4) If all pipelines of a taxpayer located within the
31 same pipeline right-of-way, previously valued in
32 accordance with this section, are determined by the State
33 Board of Equalization to have been abandoned as the
34 result of physical removal or blockage, the assessed value
35 of that right-of-way to that taxpayer shall be determined
36 to be no more than 25 percent of the assessed value
37 otherwise determined for the right-of-way for a single
38 pipeline of that taxpayer pursuant to paragraphs (1) and
39 (2).

1 (b) If the assessor assigns values for any tax year from
 2 the 1984–85 tax year to the 2000–01 tax year, inclusive, in
 3 accordance with the methodology specified in
 4 subdivision (a), the taxpayer’s right to assert any
 5 challenge to the right to assess that property, whether in
 6 an administrative or judicial proceeding, shall be deemed
 7 to have been raised and resolved for that tax year and the
 8 values determined in accordance with that methodology
 9 shall be rebuttably presumed to be correct. If the assessor
 10 assigns values for any tax year from the 1984–85 tax year
 11 to the 2000–01 tax year, inclusive, in accordance with the
 12 methodology specified in subdivision (a), any pending
 13 taxpayer lawsuit that challenges the right to assess the
 14 property shall be dismissed by the taxpayer with
 15 prejudice.

16 (c) Notwithstanding any change in ownership, new
 17 construction or decline in value occurring after March 1,
 18 1975, if the assessor assigns values for rights-of-way for any
 19 tax year from the 1984–85 tax year to the 2000–01 tax year,
 20 inclusive, in accordance with the methodology specified
 21 in subdivision (a), the taxpayer may not challenge the
 22 right to assess that property and the values determined in
 23 accordance with that methodology shall be rebuttably
 24 presumed to be correct for that property for that tax year.

25 (d) Notwithstanding any change in ownership, new
 26 construction, or decline in value occurring after March 1,
 27 1975, if the assessor does not assign values for
 28 rights-of-way for any tax year from the 1984–85 tax year
 29 to the 2000–01 tax year, inclusive, at the 1975 base year
 30 values specified in subdivision (a), any assessed value that
 31 is determined on the basis of valuation standards that
 32 differ, in whole or in part, from those valuation standards
 33 set forth in subdivision (a) shall not benefit from any
 34 presumption of correctness, and the taxpayer may
 35 challenge the right to assess that property or the values
 36 for that property for that tax year. As used herein, a
 37 challenge to the right to assess shall include any
 38 assessment appeal, claim for refund, or lawsuit asserting
 39 any right, remedy, or cause of action relating to or arising

1 from, but not limited to, the following or similar
2 contentions:

3 (1) That the value of the right-of-way is included in the
4 value of the underlying fee or railroad right-of-way.

5 (2) That assessment of the value of the right-of-way to
6 the owner of the pipeline would result in double
7 assessment.

8 (3) That the value of the right-of-way may not be
9 assessed to the owner of the pipeline separately from the
10 assessment of the value of the underlying fee.

11 (e) Notwithstanding any other provision of law,
12 during a four-year period commencing on the effective
13 date of this section, the assessor may issue an escape
14 assessment in accordance with the specific valuation
15 standards set forth in subdivision (a) for the following
16 taxpayers and tax years:

17 (1) Any intercounty pipeline right-of-way taxpayer
18 who was a plaintiff in *Southern Pacific Pipe Lines, Inc. v.*
19 *State Board of Equalization* (1993) 14 Cal. App. 4th 42, for
20 the tax years 1984–85 to 1996–97, inclusive.

21 (2) Any intercounty pipeline right-of-way taxpayer
22 who was not a plaintiff in *Southern Pacific Pipe Lines, Inc.*
23 *v. State Board of Equalization* (1993) 14 Cal. App. 4th 42,
24 for the tax years 1989–90 to 1996–97, inclusive.

25 (f) Any escape assessment levied under subdivision
26 (e) shall not be subject to penalties or interest under the
27 provisions of Section 532. If payment of any taxes due
28 under this section is made within 45 days of demand by
29 the tax collector for payment, the county shall not impose
30 any late payment penalty or interest. Taxes not paid
31 within 45 days of demand by the tax collector shall
32 become delinquent at that time, and the delinquent
33 penalty, redemption penalty, or other collection
34 provisions of this code shall thereafter apply.

35 (g) For purposes of this section, “intercounty pipeline
36 right-of-way” means, except as otherwise provided in this
37 subdivision, any interest in publicly or privately owned
38 real property through which or over which an
39 intercounty pipeline is placed. However, “intercounty
40 pipeline right-of-way” does not include any parcel or

1 facility that the State Board of Equalization originally
2 separately assessed using a valuation method other than
3 the multiplication of pipeline length within a subject
4 property by a unit value determined in accordance with
5 the density category of that subject property.

6 (h) This section shall remain in effect only until
7 January 1, 2001, and, as of that date is repealed, unless a
8 later enacted statute, that is enacted before January 1,
9 2001, deletes or extends that date.

10 SEC. 3. Section 401.11 is added to the Revenue and
11 Taxation Code, to read:

12 401.11. (a) Notwithstanding any other provision of
13 the law to the contrary, refunds or payments of taxes,
14 where applicable, for intercounty pipeline right-of-way
15 property which is subject to local assessment pursuant to
16 the decision in *Southern Pacific Pipe Lines, Inc. v. State*
17 *Board of Equalization* (1993) 14 Cal. App. 4th 42, shall be
18 treated as follows for taxpayers and tax years described
19 below:

20 (1) The tax refund claims which are subject to this
21 subdivision are the tax refund claims for the following
22 taxpayers and tax years:

23 (A) Tax refund claims of any taxpayer who was a
24 plaintiff in *Southern Pacific Pipe Lines, Inc. v. State*
25 *Board of Equalization* (1993) 14 Cal. App. 4th 42, for tax
26 years 1984–85 to 1996–97, inclusive, which were not
27 included in the judgment for the taxpayer.

28 (B) Tax refund claims of any taxpayer who was not a
29 plaintiff in *Southern Pacific Pipe Lines, Inc. v. State*
30 *Board of Equalization* (1993) 14 Cal. App. 4th 42, for tax
31 years 1989–90 to 1996–97, inclusive.

32 (2) If taxes due on local assessments, as calculated
33 under Section 401.10, are less than the total taxes paid by
34 the taxpayer for that year, based on either the original
35 State Board of Equalization assessments or escape
36 assessments made by the local assessor, the county shall
37 refund the difference. Simple interest at the rate of 8
38 percent shall be paid by the county on any overpayment
39 for the period from the date of the tax payment resulting
40 in the overpayment through December 31, 1992. Simple

1 interest at the county's pooled apportioned rate shall be
2 paid by the county on any overpayment for the period
3 from January 1, 1993, through the date which is 45 days
4 prior to payment in full. No interest shall be payable for
5 the 45-day period immediately prior to payment in full.
6 For purposes of this subdivision, payment shall be
7 deemed to be timely if made 45 days after the effective
8 date of this section.

9 (3) If payment of any taxes due under this subdivision
10 is made within 45 days of billing by the tax collector for
11 payment, the county shall not impose late payment
12 penalties or interest. Taxes not paid within 45 days of
13 billing by the tax collector shall become delinquent at
14 that time, and the delinquent penalty, redemption
15 penalty, or other collection provisions of this code shall
16 thereafter apply.

17 (b) Notwithstanding any other provision of law, the
18 judgment obligation of each judgment debtor under the
19 judgment entered in *Southern Pacific Pipe Lines, Inc. v.*
20 *State Board of Equalization* (1993) 14 Cal. App. 4th 42
21 shall be deemed fully satisfied with respect to a judgment
22 creditor if a debtor county makes timely payment to that
23 judgment creditor of the amount calculated pursuant to
24 this subdivision. For purposes of this subdivision, a
25 payment shall be deemed to be timely if made 45 days
26 after the effective date of this section. For purposes of this
27 subdivision, the amount that shall be paid to satisfy the
28 judgment is the total of the amounts awarded to the
29 judgment creditor against the debtor county in
30 paragraphs 5, 6, 7, and 8 of the judgment entered in
31 *Southern Pacific Pipe Lines, Inc. v. State Board of*
32 *Equalization* (1993) 14 Cal. App. 4th 42, together with
33 postjudgment interest thereon; however, no interest shall
34 be due for the 45-day period immediately prior to
35 payment in full. For purposes of this subdivision,
36 postjudgment interest shall be calculated at 7 percent;
37 however, postjudgment interest shall be calculated at the
38 county's then effective county pooled apportioned rate
39 for the following periods of time: July 1, 1993 to April 30,

1 1994, inclusive; and January 1, 1995, until 45 days prior to
2 the date of payment in full.

3 (c) Any refund or billing for payment made pursuant
4 to this section may be made on the basis of a single,
5 countywide parcel per taxpayer as described in Section
6 401.8.

7 (d) This section shall remain in effect only until
8 January 1, 1999, and, as of that date is repealed, unless a
9 later enacted statute, that is enacted before January 1,
10 1999, deletes or extends that date.

11 SEC. 4. Section 401.12 is added to the Revenue and
12 Taxation Code, to read:

13 401.12. Sections 401.10 and 401.11 do not abrogate,
14 rescind, preclude, or otherwise affect any separate
15 settlement agreement entered into prior to the effective
16 date of those sections between a county and an
17 intercounty pipeline right-of-way taxpayer concerning
18 the subject matter of Sections 401.10 and 401.11. In the
19 event of a conflict between any settlement agreement
20 and the provisions of Sections 401.10 and 401.11, the
21 settlement agreement shall control.

22 SEC. 5. This act is an urgency statute necessary for the
23 immediate preservation of the public peace, health, or
24 safety within the meaning of Article IV of the
25 Constitution and shall go into immediate effect. The facts
26 constituting the necessity are:

27 In order to provide guidance and clarification that is
28 essential to the fair and efficient taxation of intercounty
29 pipeline rights-of-way, it necessary that this act take
30 effect immediately.

31 declares all of the following:

32 ~~(a) Certain properties, including pipelines, that are~~
33 ~~located in more than one county, are assessed for~~
34 ~~purposes of property taxation by the State Board of~~
35 ~~Equalization.~~

36 ~~(b) For a limited period, the State Board of~~
37 ~~Equalization also assessed the values of intercounty~~
38 ~~pipeline lands and rights of way.~~

39 ~~(c) As a result of a recent appellate court decision, the~~
40 ~~jurisdiction for the assessment of assessable interests in~~

~~intercounty pipeline lands and rights-of-way has been determined to rest with the county assessor.~~

~~(d) There are no specific guidelines currently set forth in statute for the local assessment of intercounty pipeline lands and rights-of-way.~~

~~(e) This absence of statutory guidelines has caused confusion on the part of both assessors and taxpayers regarding the valuation of these pipeline-related properties.~~

~~SEC. 2. It is the intent of the Legislature in enacting this act to do all of the following:~~

~~(a) Provide statutory clarification to ensure proper and consistent assessment practices on the part of local jurisdictions.~~

~~(b) Ensure efficiency and cost effectiveness in the assessment of assessable interests in intercounty pipeline lands and rights-of-way.~~

~~(c) Protect taxpayers from duplicative assessments.~~

~~(d) Avoid administrative waste on behalf of both assessors and taxpayers.~~

~~SEC. 3. Section 401.7 is added to the Revenue and Taxation Code, to read:~~

~~401.7. The assessor, in valuing lands, rights-of-way, and other facilities incident to intercounty pipelines, shall consider the cost, income, and market approaches to value.~~